

2019 Rate Case Hearing

Proposed changes to the Water and Wastewater Rate Schedules

October 23, 2018

Agenda

- City Attorney's Office Introductory Briefing
- City Attorney's Office poll regarding *ex parte* material
- Rate Case Presentation
- City Auditor Comments: Mr. Denny Nester, City Auditor
- Public Questions/Comments
- City Council Questions/Comments for Utilities to Address
- Break for Utilities' Review and Preparation of Responses, if necessary

Agenda – Continued

- Utilities' Responses to Public and City Council Questions
- City Council Deliberation and Discussion of Any Amendments to the Proposed Tariffs
- Executive Session for Legal Considerations (if necessary)
- Identification of Issues by City Attorney's Office and Council Direction Regarding Each Proposed Tariff
- Establish further proceedings as necessary

City Attorney's Office Introductory Briefing

and

City Attorney's Office poll regarding ex parte material

2019 Rate Case Hearing

**Proposed changes to
the Water and Wastewater
Rate Schedules**

Tamela Monroe
Chief Planning and Finance Officer



2019 Rate Case Overview

- 2019 Rate Case filing based on 2019 Sources & Uses Budget Ordinances and includes proposed changes to:
 - Water Rate Schedules
 - Wastewater Rate Schedules
- Highlights of the most common Rate Classes will be presented today
 - The 2019 Rate Case filing contains the comprehensive proposed changes
- Cost of Service (COS) prepared following industry standards and practices
- Rates are designed in compliance with Rate Design Guidelines

Procedural Compliance

- ✓ August 10, 2018
 - Preliminary COS studies and 2019 Rate Case Filing Reports to OCA
- ✓ September 11, 2018
 - Request to establish a Public Hearing date and formal filing of the 2019 Rate Case with City Clerk
 - Formal filing electronically provided to City Council
 - Rate Case documents posted on CSU.org website
- ✓ September 13, 2018
 - Published Legal Notice in the Gazette
- ✓ October 23, 2018
 - 2019 Rate Case Hearing

Water Service



Water Summary

- Total Water Proposed Revenue from Rates is \$199.6 million
 - \$6.7 million higher than revenue under current rates
- Overall system increase 3.5% higher than current rates
 - 3.6% increase for Residential
 - 2.4% increase for Nonresidential
 - 5.6% increase for Large Nonseasonal
 - 7.3% increase for Contract Services – Military
 - 11.7% increase for Nonpotable – Miscellaneous Service

Water Rate Increase Drivers

- Funding the replacement and repair of aging infrastructure
- Increasing debt service
- Compliance with the Water Surplus Rates established in City Council Resolution No. 49-18

Water Rate Design Components

- Proposed rate increases are consistent with Rate Design Guidelines of +/- 5% of COS with the following exceptions:
 - Contract Services – Military at 80.1% of COS
 - Nonpotable at 78.8% of COS
 - Continue to move rates closer to COS in subsequent filings
- Proposed rates are designed to continue flattening the price differential between blocks or between summer and winter

2019 Rate Case Filing

2019 Water Cost of Service Study

SCHEDULE 2

SUMMARY OF NET REVENUE REQUIREMENT AND PROPOSED REVENUE

Line No.	Rate Class	Net Revenue Requirement	Revenue Under Current Rates	Proposed Increase / (Decrease)	Percent Revenue Change	Proposed Revenue from Rates	Percent of Net Revenue Requirement
<u>(a)</u>	<u>(b)</u>	<u>(c)</u>	<u>(d)</u>	<u>(e)</u> <u>(g) - (d)</u>	<u>(f)</u> <u>(e) / (d)</u>	<u>(g)</u> <u>(d) + (e)</u>	<u>(h)</u> <u>(g) / (c)</u>
1	Residential Service	\$ 99,032,737	\$ 96,260,744	\$ 3,508,966	3.6%	\$ 99,769,709	100.7%
2	Nonresidential Service	80,129,828	80,616,975	1,955,376	2.4%	82,572,351	103.0%
3	Large Nonseasonal Service	4,967,709	4,614,906	258,719	5.6%	4,873,625	98.1%
4	Contract Service - Military	11,584,001	8,642,532	635,080	7.3%	9,277,612	80.1%
5	Nonpotable - Miscellaneous Service	3,908,799	2,756,416	323,523	11.7%	3,079,939	78.8%
6	Total	\$ 199,623,075	\$ 192,891,574	\$ 6,681,664	3.5%	\$ 199,573,238	100.0%

Note: Residential and Nonresidential values are inclusive of inside and outside city limit service.

Additional Water Tariff Changes

- Establishing Augmentation rate methodology
 - Water supplies used for augmentation could otherwise be exchanged and stored in inventory for future use
 - Based on water supply replacement cost
 - Lowest cost long-term contract is \$500.00 per acre-foot or \$0.0115 per cf
 - Current Augmentation rate is 37% below replacement cost
 - Proposed increase of 4.2% or \$0.0003 per cf from \$0.0072 to \$0.0075 per cf
- Nonpotable – Contract Service
 - This filing increases the commodity charges by 11.4%, changing the rate from \$0.0123 to \$0.0137 per cf

Additional Water Tariff Changes-cont.

- Temporary Service – Hydrant Use - change in pricing methodology
 - Based on the weighted average of Residential and Nonresidential Net Revenue Requirement
 - Recover cost through Commodity Charge
 - Remove daily Customer Charge of \$5.4216
 - Remove all references to permit classes A, B and C that are no longer applicable
 - Proposed Commodity Charge increase from \$9.8176 to \$9.9064 per 1,000 gallons
 - Proposed change can result in an increase or decrease based on usage

Wastewater Service



Wastewater Summary

- Total Wastewater Proposed Revenue from Rates is \$70.4 million
 - \$1.4 million higher than revenue under current rates
- Overall system increase 2.0% higher than current rates
 - 2.7% increase for Residential
 - 0.1% decrease for Nonresidential
 - Extra Strength Surcharges are only billed to Nonresidential customers and included in the Nonresidential Rate Class
 - 1.6% increase for Contract Services – Military and Outside City Limits
 - No proposed rate adjustment for Liquid Waste Hauler

Wastewater Rate Increase Drivers

- Inflationary increases since 2010 in operations and maintenance of the system
- Funding the replacement and repair of aging infrastructure

Wastewater Rate Design Components

- Proposed rate increases are consistent with Rate Design Guidelines of +/- 5% of COS with the following exceptions:
 - Liquid Waste Hauler at 128.0% of COS

2019 Rate Case Filing

2019 Wastewater Cost of Service Study

SCHEDULE 2

SUMMARY OF NET REVENUE REQUIREMENT AND PROPOSED REVENUE

Line No.	Rate Class	Net Revenue Requirement	Revenue Under Current Rates	Proposed Increase / (Decrease)	Percent Revenue Change	Proposed Revenue from Rates	Percent of Net Revenue Requirement
<u>(a)</u>	<u>(b)</u>	<u>(c)</u>	<u>(d)</u>	<u>(e)</u> <u>(g) - (d)</u>	<u>(f)</u> <u>(e) / (d)</u>	<u>(g)</u> <u>(d) + (e)</u>	<u>(h)</u> <u>(g) / (c)</u>
1	Residential Service ⁽¹⁾	\$ 52,240,663	\$ 50,769,807	\$ 1,393,068	2.7%	\$ 52,162,876	99.9%
2	Nonresidential Service ^{(1),(2)}	16,808,015	16,825,311	(14,297)	-0.1%	16,811,014	100.0%
3	Contract Service - Military and Outside City Limits ⁽²⁾	1,078,278	1,061,162	15,902	1.5%	1,077,064	99.9%
4	Liquid Waste Hauler	271,933	347,732	-	0.0%	347,732	127.9%
5	Total	\$ 70,398,888	\$ 69,004,012	\$ 1,394,673	2.0%	\$ 70,398,686	100.0%

Notes:

⁽¹⁾ Residential and Nonresidential values are inclusive of inside and outside city limit service.

⁽²⁾ Extra Strength Surcharges are only billed to a few specific Nonresidential and Contract Service customers. Therefore, Extra Strength Surcharge Revenue Requirement and Proposed Revenue from Rates are included in the Nonresidential and Contract Service Rate Classes (see Schedule 8).

Total Typical Monthly Bill



2019 Rate Case Filing

Typical Total Service Bill

As filed
Proposed Effective 1/1/19

(Prior to ECA/GCA Adj.)

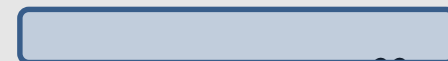
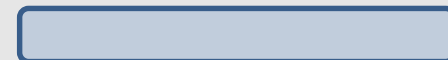
Line No.	Rate Class	Current	Proposed	Proposed Increase/ (Decrease)	% Change
(a)	(b)	(c)	(d)	(e) [(d) - (c)]	(f) [(e) / (c)]
1	Residential				
2	Electric	\$ 87.06	\$ 87.06	\$ -	0.0%
3	Gas	38.42	38.42	-	0.0%
4	Water	65.91	69.71	3.80	5.8%
5	Wastewater	32.01	32.89	0.88	2.7%
6	Total	\$ 223.40	\$ 228.08	\$ 4.68	2.1%
7	Commercial				
8	Electric	\$ 568.03	\$ 568.03	\$ -	0.0%
9	Gas	535.95	535.95	-	0.0%
10	Water	218.74	226.88	8.14	3.7%
11	Wastewater	112.14	112.69	0.55	0.5%
12	Total	\$ 1,434.86	\$ 1,443.55	\$ 8.69	0.6%
13	Industrial				
14	Electric	\$ 31,819.34	\$ 31,819.34	\$ -	0.0%
15	Gas	5,147.26	5,147.26	-	0.0%
16	Water	2,867.19	2,983.43	116.24	4.1%
17	Wastewater	1,404.64	1,400.49	(4.15)	-0.3%
18	Total	\$ 41,238.43	\$ 41,350.52	\$ 112.09	0.3%

2019 Rate Case Filing

Typical Total Service Bill

As filed
Proposed Effective 1/1/19

With Proposed
ECA/GCA Adjustment
Effective 11/1/18



Customer Outreach

October 2018

CONNECTION

Investing in resilient water systems

Water and wastewater services were among the first utilities Americans were privileged to enjoy in their homes and workplaces. Much of the underground network of pipes installed in Colorado Springs, and across the country are nearly 100 years old, and are reaching or have exceeded the end of their useful life.

The American Water Works Association estimates a \$1 trillion price tag to upgrade pipes and expand services across the U.S. over the next 25 years. We face the same challenge as other utilities: sustainable funding for the renewal of our water and wastewater systems.

To supply our community's homes and businesses with safe, reliable water services, we must continue to invest in the repair or replacement of aging pipes and maintenance of needed water treatment plants.

This fall, we're asking the Utilities Board for a slight increase in water and wastewater rates for 2019. As a not-for-profit utility, rates cover only the cost of serving our customers.

To learn more about your water systems and proposed 2019 utility rates, please visit csu.org.

Carbon monoxide and natural gas safety tips

Carbon monoxide (CO) causes thousands of poisoning and deaths each year in North America. CO is a colorless and odorless gas produced from combustion fumes. Sources in the home include heaters, fireplaces and portable generators. Symptoms of CO poisoning are often flu-like. Install a CO alarm on each floor of your home and have a qualified contractor inspect your heating system annually for safe, efficient operation. If you suspect CO, leave the premises immediately and call 911. Then call us at 448-4800.



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Payment Locations | Contact Us | Careers
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Residential

Make a payment
Re:Sources blog
Utilities Board
Rebates

Business

Pay My Bill
First Source e-newsletter
Rates & tariffs
Backflow prevention

Work With Us

GIS Mapping Services
Construction standards
Economic development
Procurement & contract services

CHANGE THE CURRENT

My Account
User ID
Password
Login
Forgot User ID
Forgot Password
Register Residential Account
Register Business Account

Service outage map

finalists announced

Next CEO of Colorado Springs Utilities. We have two finalists scheduled to meet and open to the public on the 11th. Everyone the

CHIEF EXECUTIVE OFFICER

CUSTOMER SERVICE

2019 Rates
On Sept. 11, we filed the 2019 Rates Case and requested a public hearing date of Oct. 23

SAVE NOW!


Irrigation rebate
Earn up to \$200 in rebates for smart controllers and other equipment.

COMMUNITY

Phillip H. Tollefson
Treatment Plant on the Mesa upgrades
Project to enhance water treatment is underway





Proposed bill changes described in:

- csu.org website
- Online bill calculator
- Electronic customer newsletters
- One-on-one meetings with large business customers
- Community and customer group presentations
- Utilities Board and City Council meetings
- Social media channels
- Newspaper, radio and TV news coverage



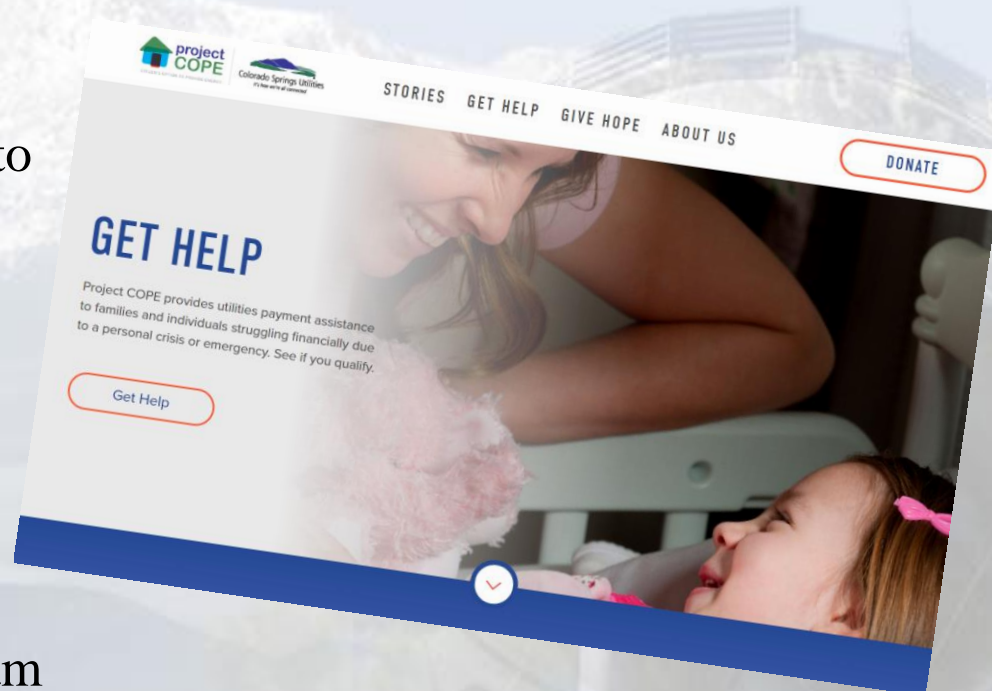
Colorado Springs Utilities
It's how we're all connected

Proposed Residential Rate Changes for 2019

Service	Typical Bill May 2018	Typical Bill Jan. 1, 2019	\$ Increase (Decrease)	% Increase (Decrease)
 Electric	\$87.06	\$87.06	\$0	0%
 Gas	\$38.42	\$38.42	\$0	0%
 Water	\$65.91	\$69.71	\$3.80	5.8%
 Wastewater	\$32.01	\$32.89	\$0.88	2.7%
Total impact to typical monthly bill	\$223.40	\$228.08	\$4.68	2.1%

Programs Helping Customers

- Bill assistance
 - Project COPE (Citizens Option to Provide Energy) Program
 - Low income Energy Assistance Program (LEAP)
- High Bill Counseling
 - Conservation Education
 - Home Energy Assistance Program (HEAP)
- Payment Plans
 - Budget billing



Office of City Auditor



Denny Nester
City Auditor

Public Questions and Comments

Proposed changes to
Utilities Rules and Regulations and
the Electric and Water Rate Schedules

City Council Questions and Comments

**Proposed changes to
Utilities Rules and Regulations and
the Electric and Water Rate Schedules**

Break (if necessary)

Utilities' Response (if necessary)

Executive Session **For Legal Considerations** (if necessary)

**Identification of Issues
by City Attorney's Office
And Council Direction Regarding
Proposed changes to
Water and Wastewater Rate Schedules**